Leadership Mindset and Fall of Once Giant Family-run Textile Exporting Companies

Abstract

Pakistan's textile sector has played an utmost salient role for thriving country's economy and has attracted greater investments by local and foreign investors. The purpose of this paper is to ascertain three once giant textile exporters, run by family-owned companies, which were chosen by global brands for outsourcing, but then they became extinct. Based on a qualitative inquiry, and departing from phenomenology and grounded theory, it uses the result of nine interviews to former companies' leaders, applying a multiple-case designed method in the context of family business governance to ascertain the role and importance of leadership and strategy issues for their decline. The front burner issues included leader or 'Seth's' (the indigenous term for owners of big businesses in South Asia, particularly India, Pakistan, and Bangladesh) management styles and policies (with dearth of professional and operational hierarchy, the hiring of 'Yes Men' and 'Yes Boss' type executives), firm's culture and politics, human resource policies (i.e. working environment and employees' motivation), management of financial portfolios, and other operational strategies like technology, operations and marketing, which eventually led to disastrous failures to filing bankruptcies by these three firms.

Keywords: Strategic leadership; Family business governance; Global business

1. Introduction

Pakistan's textile and clothing industry is one of the main contributors in the gross domestic product (GDP) of the country, its global business, and has been a backbone of the country for decades. The sector contributed 58% in total exports of Pakistan and 38% in manufacturing industry's total employment (Textile Industry Division, 2019). According to a research, Pakistan's textile industry contributes 46% in total manufacturing output and 9% in GDP. It ranks among the top producers and exporters of cotton in the world and supplies 30% yarn and 8% cotton cloth to the global markets. It earned 68% export revenues that make a value of US$7 billion (Maqbool, 2006). After China and India, Pakistan contributes about 5% in the total production of spun yarn and stands third (Pakistan Credit Rating Agency, 2012).

Various governments introduced many policies that have been dissatisfactory for the textile sector. It includes aggravated law and order situation, energy outages to its higher prices, ever-escalating inflation to cost of doing business, rampant corruption, mis-governance, inability to meet social compliances of international standards to government devoid of disbursement of sales tax refunds and subsidies to the industry. Although the external factors also affected the three firms examined under this probe, the internal factors only are also ascertained. These companies had 'seths' as owners (i.e., in India, Pakistan, and Bangladesh, 'seths' are owners/businesspersons who are either industrialists or big traders with a typical mindset and leadership style) (Shaikh & Qureshi, 2018).

This research paper explores various reasons of failure and liquidation of few of the best performing textile exporting firms of Karachi doing global business with renowned global brands, Pakistan with operations in the home textile sub-sector. Its focus is on three firms that had the best name and reputation in the industry but now are a part of the history. The failures of these firms were not only because of the widely deliberated external issues, but rather this probe is focusing on the internal reasons of crises of the firms that includes the leadership also known as 'Seth', the practices being followed by top management, the employees such top management hires to run the facilities, and the way they strategize and operate. The value chain of home textile starts from ginning, spinning, weaving, pre-treatment, processing and stitching (APITCO, 2009). The three firms under this inquiry include: Muhammad Farooq Textile Mills Limited (MFTML), Al-Abid Silk Mills Limited (commonly known as AA), and Nina Industries (NI).

These companies attained marvelous success with their excellent performance in increasing exports, creating brand identity and improving their corporate image, followed by business failure.

Muhammad Farooq Textile Mills Limited (MFTML) was known for the quality home textile products from 1970s till 1990s. The firm had the reputation of hiring the best textile graduates in research and development (R&D), marketing and processing departments to serve customers along with their quality products. It served Carrefour, Laredoute and other European Union (EU) importers and retailers with their state-of-the-art plants and expertise. It enjoyed exceptional quality R&D lab, processing and stitching departments to serve the EU and US markets. Al-Abid Silk Mills (AA) inaugurated its operation back in 1969 with a printing machine imported from Germany and started growing business successfully in early 1980s till late 1990s. It undertook forward and backward integration as it added huge assets and machinery in backward processes as well as in finishing processes. By the year 2000, it owned four different units with state-of-the-art machinery in all departments. It produced up to 6,000,000 meters of both dyeing and printing per month and that was huge for any firm in Karachi. Its main customers included Sweden based IKEA, US-based Walmart, JCPenny, Target, T&C, Macy's as well as Europe-based ASDA, Turner Bianca, Auchan and many more (Shaikh & Qureshi, 2018). Nina Industries (NI) is the third firm to be ascertained in this research that also served the home textile industry of Karachi for a long time and produced fine quality products including duvet covers, bed sheets, fitted sheets, pillow cases, curtains and kitchen articles for the US and EU markets. Its main customers included IKEA, Walmart and JCPenny. It had great assets in the form of human and capital to serve customers in a short span of time. All these three firms enjoyed revenues and assets in billions of PKR (Shaikh & Qureshi, 2018). This inquiry contributes in the theoretical knowledge pertaining global business, strategic leadership (i.e., combination of strategy and leadership), and family business governance.

Various authors have defined some specific characteristics of family businesses (Winter, Danes, Koh, Fredericks, & Paul, 2004). These three companies' owners enjoyed a significant share in stockholders' equity, which provided them an edge in voting or elections of board of directors. As directors, they enjoyed the power to set the strategic direction and make strategic decisions. They played an active role in leading their companies and enjoyed many perks. Moreover, they were in business from several generations. Succession of their business had to be undertaken to their next generation. Their businesses were family-led but managed by professional managers. Generally, it is argued that family firms are less prone to exit than other firms (Madanoglu, Memili, and De Massis 2020), and they possess skills, competencies, and trade secrets to mitigate risks of failure (Qureshi, Qureshi, & Qureshi, 2018).

Pakistan's textile industry has been the source of huge employment directly or indirectly through suppliers and other stakeholders. It has the main contribution in exports, global business, and overall GDP. This paper ascertains the various reasons for failure for the firms that have been once the outperforming textile mills in the textile sector from Karachi, Pakistan. It is not wise to only put all the blame on the government policies and other external crisis like aggravating law and order turmoil, energy outages, dearth of cooperation from the regulatory authorities, etc., but there exist many internal issues and management policies and techniques pertaining strategic leadership that these firms had been facing over the years, which caused them crises (Shaikh & Qureshi, 2018). Some authors argue that family firms demonstrate higher chances of success than other firms (Madanoglu, Memili, and De Massis, 2020); hence it appears strange and a big question for research that how these three once giant family firms engaged in global business drastically failed due to internal factors. Were these giants failed due to their leadership issues or strategic issues or misgovernance of family businesses along with internal politics and conflicts or something else? Little is known about family firms' processes, decision-making, strategy crafting and execution (Chrisman, Chua, De Massis, Minola, and Vismara, 2016). Moreover, ascertaining organizational failures in nexus with family-run textile companies of Pakistan is an under-researched area (Shaikh & Qureshi, 2018), which motivated us to conduct this probe. It ascertains and contributes to transactional, despotic, and destructive leadership theories, transformational leadership theory, agency theory, and entrepreneurial leadership theory in nexus with family business governance, strategy, and global business (Buttner & Gryskiewicz, 1993; Greenacre, Gross, & Speirs, 2012; Johnson, & Droege, 2004; Panda, & Leepsa, 2017; Robbins & Timothy, 2018).

2. LITERATURE REVIEW

Family businesses are managed by members of a family. Usually, one family member, a parent in many cases establishes a business and involves other family members. In many cases, they keep on prospering it many folds and outgrow many branches and new firms out of it. The responsibilities of managing it are divided among the family members along with the professional managers and employees. At some point of time, there can be succession of the firm to the offspring or the next generation. Thus, the skills, a specific craft in various cases, the core values (like being honest, fair, credible, responsible, law-abiding, quality-oriented, hard-working, and committed), and philosophy of the business go on (Koiranen, 2002). The global business is dominated by the family enterprises, but there are countless incidences of conflicts, feuds, and desertions. Despites these issues, family businesses enjoy some unique characteristics and competitive advantages in the form of skills, learning, experiences over generations, network of relations with customers, vendors, market players, investors, financers, and other stakeholders that help them outsmart the rivals and lead the business arena (Qureshi, Qureshi, & Qureshi, 2018). Madanoglu, Memili, and De Massis (2020) argue that family firms are less prone to exit than other firms.

Globally various studies found strong nexus between family business and corporate governance. Researchers prescribe on the basis of empirical evidence that family firms should adopt formal structure and governance mechanisms comprising rules, regulations, policies, strategies and standard operating procedures (SOPs), which assist them in making rational strategic decisions. Their leadership keeps the family matters aside and hire well-groomed managers to run the affairs in a professional manner. The family businesses registered as limited entities have to assure compliance with codes of corporate governance and corporate citizenship or social responsibility (Aronoff & Ward, 2016; Campopiano & De Massis, 2015; Pindado & Requejo, 2015; Martin-Reyna & Duran-Encalada, 2012; Memili, Singal & Barredy, 2016; Mustakallio, Autio & Zahra, 2002; Pindado & Requejo, 2015; Siebels, & zu Knyphausen-Aufseß, 2012; Seaman, 2017; Suess, 2014), which also assist them in handling and resolving conflicts inside family-owned businesses (Alderson, 2015).

Family businesses also face crises and failures. Despite the fact that there is no precise definition of failure (Cameron et al., 1988; 1989; as cited by Mellahi & Wilkinson, 2004), one of the widely agreed definitions of failure defines failure as a firm's inability to adopt necessary measures to achieve set objectives along with associated diminishing resources within the organization over a period of time. In their study, they used the word death, exit and mortality interchangeably with failure. The Deterministic View suggests that firms fail due to external factors over which the management of the firm has no or little control. However, the Voluntaristic View or Perspective rejects the notion and suggests that management is powerful and has the authority to make decisions in accordance with the internal strengths and capabilities to save firms from failure. If they are strong internally then they can respond to external threats effectively (Ibid, 2005). Gaskill et al. (1993, as cited by Arasti, 2011) posit that in the past most of the firms only failed because of many internal issues mainly related to owners' characteristics, their autocratic decision making, lesser management skills and lower understanding of financial statements. Zhu (2012) discussed the reasons of internal factors associated with the firms in the context of Chinese firms. He suggested that improper corporate governance and poor decision making are few internal reasons for firms to fail.

Jensen (1993) argued that the organizations that fail to implement the control systems ultimately face huge risks of meeting inefficiencies and ineffectiveness in production as they increase the wastages and cost of doing business along with reduced profit margins, which lead them to a position where firms have to declare themselves as bankrupt. He discussed two crucial issues that arise if proper control systems are not in place i.e. financial distress and management issues, which need for organizational restructuring. Abbas and Iqbal (2012) implied that proper implementation of internal control systems can help in reducing the wastages of resources and reckoning unanticipated and unexpected costs can contribute to increased sales revenue. They discussed three types of internal control systems including: Preventive Control System (where such measures are to be taken well in advance so that a certain issue is caught before happening);

Detective Control System (where an event or issue has already taken place and firm has also identified the issue and takes proper measures to resolve the problems in short span of time); and Reactive Control system (where an issue cannot be detected or resolved urgently). Many researchers advocate that organizations keep on learning from their mistakes, failures and crises, which provide them opportunities for improvement and overhauling their strategies. Learning from crises, management led to acquisition of new knowledge and adaptation or executing innovation and change, which ultimately paid back (Elliott, 2009; Elliott & Smith, 2007). In family business context, many organizations fall down but due to their inherited entrepreneurial genes and DNA, they revived and eventually succeeded (Qureshi, Qureshi, & Qureshi, 2018).

Many authors conducted researches about various types of leadership including autocratic or dictators' leadership, ignorant leadership, toxic leadership, and destructive leadership and their detrimental effects on organizational performance. But the type of culture and environment they and their cronies nurture bullying or harassment to faltering performance with business strategy, and pose massive menace to business ethics (Gini, 1997; 2004; Hoel, Glaso, Hetland, Cooper, & Einarsen, 2010; Robbins & Timothy, 2018; Teece, 2010; Webster, Brough, & Daly, 2016, Yeo, 2006). Many authors ascertained about the transformational leadership theory that substantially motivate and engage employees in outperforming their tasks, whereas, transactional leadership theory focus on tasks only and expect followers to work like machines. On the other hand, the leaders who believe in laissez-faire leadership styles provide a great deal of freedom or autonomy of work to their teams (Eagly, Johannesen-Schmidt, & van Engen, 2003; Tyssen, Wald, & Spieth, 2014). Hnatek (2015) emphasized on bringing reforms and success in family enterprises by introducing entrepreneurial thinking, which includes innovation, risk-taking attitude, perseverance, teamwork, etc., whereas ultimately, it is entrepreneurial leader who is responsible for bringing such a change and innovative culture. Habbershon (2006) underscored the advantages of separating family leadership from management in line with the agency theory. It requires professionally trained managers to run the affairs of the business in accordance with standardized processes and procedures.

Ogbonna & Harris (2000) conducted a study on companies in the United Kingdom and inquired about the effectiveness of leadership style. They found that without nurturing a positive, supportive and congenial work-related culture, the goals of performance turn unattainable. Zheng, Yang & McLean (2010) corroborated in their study that organizational effectiveness cannot be achieved if the leadership fails to connect the organization's strategy with its culture. It must develop values, norms and beliefs that sound acceptable to most of the employees, who should be structured in teams inside various departments and divisions. Moreover, knowledge management plays magnificent role in continuous learning and improvement.

One of the most influential and vital elements in any firm is the prevailing culture. The people from different areas have defined cultures differently. As per Schein (2004), for a layman, culture indicates sophistication and anyone calling him or her being very "cultured". Whereas anthropologists define culture as the customs and rituals that are formed by societies based on their history. From an organizational perspective, it is defined as the climate and practices that companies develop regarding handling of their employees, to promote values, beliefs and philosophy of the organization (Ibid, 2004). In the context of South Asia, the owners of big businesses are called 'seths'. It rests on a 'seth' or business leader about the type of values, norms, rituals, and working environment they establish (Shaikh & Qureshi, 2018). They suggest that when there is an imbalance of power between the deserving and undeserving employees in a firm, then there is going to be internal politics and conflict in the organization. Some conflicts are potential and constructive whereas most of the conflicts are destructive and employees take them negatively and enter into office politics (Robbins & Timothy, 2018).

Several studies documented the involvement of organizational politics on strategic decisions and resultant conflicts, chaos and drastic effects on employees' and organizational performance (Rahim, 2002; Pettigrew, 2014; Thomas, 1992). Rahman, Hussain and Haque (2011) collected evidence from the thriving textile sector in Bangladesh about the hazardous effects of organizational politics, lobbying and group interests that superseded the organizational interests with objectives, which not only endangered employees' performance but proved detrimental to organizational long-haul sustainable competitiveness. Memon, Qureshi, and Jokhio (2020) investigated organizational culture in nexus with knowledge management and emphasized on the role of knowledge preserving, sharing, and transfer for the success and sustainable development of organizations. Rao (2016) emphasized on the role of culture in the context of success of family businesses. Some authors conducted comparative studies on the pivotal role of values, ethics and integrity inside various international family firms (Blodgett, Dumas, & Zanzi, 2011; Seaman, & Bent, 2018). Degadt (2003) investigated objectives and values in family firms (comprising small firms to even those with extended family's involvement) and found them effective in some cases, while conflicting in others. Chrisman, Steier, and Chua (2008) ascertained the strategic orientation of small and large family firms, the role of boards, and culture of stewardship in making strategic decisions. They posited that family firms with external directors and compliance with principles of family governance, and managers with transformational leadership capabilities develop a culture of stewardship, which lead to greater strategic performance. Chrisman, Chua, De Massis, Minola, and Vismara (2016) probed about how differences in family affect the management processes, governance, deployment of resources, strategic decisions, and organizational performance, and underlined the need for conducting empirical studies. Managing positive traditions, values, and norms inside family businesses play a pivotal role in their success and lead to build strategic advantages and long-haul performance (Suddaby & Jaskiewicz, 2020).

When employees are not provided apt working conditions and HR policies with practices for their motivation, then most of them do get involved in reactive behavior. They retaliate and ignore the importance of issues and put lesser efforts to solve the problems and provide alternatives. Most of the employees that were asked about their reaction to dissatisfaction responded by saying that they opt for planned exit or disengagement. Research suggests that high employee turnover is considered as costly for the firms because they lose investment that they made to develop human capital (Rosse & Saturay, 2004). These situations usually occur in hostile work environment where autocratic leaders dominate, which reflect despotic and destructive leadership. According to Forth and Bewley (2010), 24% of the employees in the UK did not have employment rights as per the policies of the government and 13% of employees reported that they had been subjected to unfair treatment by their employers. The author further emphasized that dissatisfied employees either raise their voice, or compromise on loyalty or start neglecting the set objectives and targets. Employees perform well if they are intrinsically motivated in taking new projects, assignments and tasks as well as they show more loyalty towards the firm. Usually, most of the employees cannot raise their voice and feel "ashamed" to ask for their rights and this is counted as a negative motivational aspect for both employees and the firm because ultimately, employees who do not raise their voice go for exit (Stiles, 2008). Probst and Raisch (2005) posited that with the changing technology and terms of business every day, firms are facing fierce internal and external issues and a tough rivalry to survive in the industry. If employees are rewarded and promoted based on their performance, given trust through openness and proper communication channels, they are spurred to make and follow a code of conduct. All these practices nourish the culture of integrity, loyalty and cooperation.

A firm that has high levels of job uncertainty, hostile working environment and improper working conditions; the employees tend to be less productive, less caring and take lesser interests in organizational matters. Various researches conducted on physical arrangements and psycho-social aspects of firms prescribe that the firms' productivity increases and average wage remains lower when employees are putting their maximum efforts in their allotted duty hours. On the other hand, the employees' productivity decreases and average wage rate increases, if they find that working conditions do not offer a safe and healthy workplace environment (Robbins & Timothy, 2018).

Another major internal reason for failure is the inability of the firm to deal with financial problems (Arasti, 2011). Zhu (2012) also discussed that inability and improper management of financial issues such as debt to asset and debt to equity ratio also led to great failures for the firms. The firms that had higher leverage ratio had more risk of failure in China. Stokes and Wilson (2006, as cited by Hove & Tarisai, 2013) suggest that managing financial matters is one of the important aspects of business. Financial difficulties arise when a firm is unable to raise enough funds necessary to run day to day operations and more importantly the firms' inability to properly manage the funds in hands.

Teece (2010) posited about the nexus of radical innovativeness in business models (that describes a firm's value chain to earn revenue by serving its customers) and the business strategy, which contains functional strategies to run the affairs of its various departments i.e., production/operations, marketing, human resources, finance, and information technology strategies. Peng (2002) argued about the institutional-based view that suggests that a firm operates in a formal and informal environment. Attaining performance goals fall impossible without comprehending the both sort of institutional environments. The formal environment relates with the hierarchy and working relations among the team members according to its organizational structure, whereas the way its employees form groups and share info to grapevines relate with the informal environment. In technology and operations strategies, firms decide about automation and digital business strategy to run its operations. Furthermore, availing online business and social media marketing tools are determined. The marketing strategy covers product design, branding, pricing, distributing, and promoting its products. The companies operative in the global markets also strategize the ways to enter and conduct business for the global customers by considering the country-specific differences of culture, languages, consumption and demand patterns, industry rivalry, regulations, and other variables (Qureshi & Jalbani, 2015; 2017).

3. QUALITATIVE RESEARCH METHODS

This investigation adopts interpretivist philosophy, inductive approach, and phenomenology with grounded theory and multiple-case design method of qualitative research here due to the diverse nature of responses based on lived experiences provided by different interviewees based on their past associations with the three selected firms. Interpretivism allows researchers to study and understand different responses and aspects received from interviewees based on their personality types as well as the nature and characteristics of the firm they have worked in (Bashir, Syed, & Qureshi, 2017; Corbin, & Strauss, 1990). Inductive approach deems suitable when a phenomenon is unknown and specific. Mixing of few qualitative designs allow triangulation for enhanced trustworthiness of findings (Golafshani, 2003).

3.1 Sampling and data collection

Qualitative research techniques are used to explore and describe the various internal reasons for failures of the selected textile firms. The data was gleaned through in-depth/unstructured interviews of ex-employees of three firms Muhammad Farooq Textile Mills Limited (MFTML), Al-Abid Silk Mills, and Nina Industries to undertake a comparative probe. In-depth interviews provide a broader and bigger picture, and may furnish additional information to the researchers other than the selected questions relevant to the pertinent factors. The data gathering through interviews appears in accordance with some of the past studies such as the technique of taking nine interviews, with a combination of identified themes but open-ended and unstructured questions (Malhotra, 2007). The researchers used a theoretical sampling method and obtained the consent of some ex-executives of the subject firms as samples to learn about their lived experiences (Bashir, Syed, & Qureshi, 2017). Interviews were conducted from nine such officers, who represented middle to senior management and provided services in various departments. Saturation point was reached by conducting interviews from three ex-managers from each of the targeted companies. Participants were qualified based on their position, role and performance in a bid to discover relevant insights in detail about the internal factors that led to the collapse of these businesses.

3.2 Data analysis

The primary data was analyzed using phenomenology, grounded theory, and multiple case study designs. The justification for the availing the three methods of qualitative research for data analysis is that the samples or managers interviewed shared their lived experiences, which were coded. In the wake of identifying the core categories and themes among data sets, the canons of grounded theory were applied, and coincidently, three exceptional cases of organizations were intensively ascertained (Corbin, & Strauss, 1990; Langdridge, 2008; Siggelkow, 2007). It ensured cross comparison of findings for robust results with consistency, which assures authenticity, credibility, and trustworthiness of results through triangulation by mixing of a few qualitative methods (Golafshani, 2003).

Substantive literature on data analytic procedure was adopted. Under phenomenology method, the data received from interviewees was broken down in different parts, which assisted in defining each part effectively. As the probe progressed, the initial interviews helped in adding some other essential aspects for conducting further interviews. The daily interpretation format was followed and data was recorded and transcribed at first stage, then it was analyzed at second stage, and finally essential meanings were drawn from each interview by putting down various categories, which converged to essential themes. Under grounded theory method, the open coding procedure allowed breaking the datasets of interview texts or scripts and labeling them, which were further ascertained at its second stage, called axial coding, and they were further refined at its third stage, called selective coding, which enabled tracing various categories and themes (shown in Exhibit 1-4 in data analysis part). The essence of grounded theory falls in exploring properties and meaningful patterns of relationships among those concepts, categories, and themes (Corbin, & Strauss, 1990; Goulding, 2005; Roman, Osinski, & Erdmann, 2017). A multiple-case design method allows selecting more than one unit or case for an in-depth inquiry and greater understanding of a phenomenon, which cannot be revealed by a single case. Each case is analyzed separately and then through cross comparison of data, similarities and differences among cases are evaluated for cumulative findings (Aberdeen, 2013). The issues of researchers' subjective bias and ethics of data collection, analysis, and acknowledging the secondary data sources were prioritized (Bashir, Syed, & Qureshi, 2017).

4. DATA ANALYSIS AND DISCUSSION OF FINDINGS

As a consequence of data synthesis, segregation, analysis, and interpretation, various categories and themes were identified; hence the data analysis is presented underneath accordingly.

4.1 Leadership ('seth'/owner's) management style and policies

The participants from MFTML replied that there were mostly 'seth' (i.e., owners) management and working style that was followed and no proper planning, organizing, leading and controlling systems prevailed. The greige (raw fabric or raw cloth) that accounts for around 60%-70% of the textile product was not planned to be bought properly and it was always delayed. Additionally, employees were dealt with a punishment approach, if there were higher wastages, the employees and departments that showed relatively higher wastage were penalized with salary cuts. Even though employees and departments were not given standard and acceptable processing and stitching time to convert greige goods into finished products. The policies were made at top level mainly by 'seth' and these were conveyed to director and general managers to follow without any discussions with those who might get directly affected. The implementation of ineffective and outdated management techniques (i.e., lack of change management and innovation) and change in policies increased wastages, operational inefficiencies, reprocessing, lead time and cost of business, while it undermined the employees' performance and motivation levels, which ultimately affected firm's productivity and performance.

The ex-managers having past working experience with Al-Abid maintained that there was no central planning that should cover the planning of all departments simultaneously. One of the main planning issues was of advance booking of greige (raw fabric), which was not done based on the greige prices as rates taken at the time of doing costing by respective marketing merchandisers and it was noticed that the purchase price of greige was higher than the price taken in costing for many projects. Interviewees from Al-Abid also suggested that when other textile firms were moving to procure greige using the conversion process (that is yarn is bought by a firm itself and is sent to a weaving mill, which charges for converting yarn to weaving form), but Al-Abid instead of moving to conversion process kept on buying greige directly that was more expensive for it. Interviewees further suggested that the changes in policy were never discussed and in fact the company's mission, vision, goals, objectives and strategies were not discussed with employees, so that employees could have some direction to proceed. There were higher wastage percentages that could not be controlled properly that ultimately resulted in issuance of shortfall programs, reprocesses, increased lead time and failure to ship goods on time. During interviews from Al-Abid respondents; it was learnt there was a lack of proper hierarchy at Al-Abid; there were no senior managers working under general manager. The workload on each department was very high and numbers of employees working in a department were lower than the actual requirement of the workforce. The 'Yes Men' and 'Yes Boss' type executives, like in many other textile firms, were also present there who would not disagree to any of the changes made in policy and used to get that implemented by imposing on the department.

There were six family owners and directors (called 'seths') actively involved in various operations of Nina Industries with different nature of responsibilities and had great level of involvement in almost all day-to-day operations. Switching the responsibilities frequently disturbed the entire planning of the firm and also hurt the trust of its several customers. One policy that they recalled proved to be fatal for the organization was the change in processing recipe for one of the large USA customers. Nina Industries used to receive long-haul contracts and running orders from a USA customer in the year 2002-2003 that required reactive printing (a high quality and expensive printing technique). The policy was made to change the recipe of the printing technique from reactive printing to less expensive pigment printing technique. The idea was to print some initial orders with reactive printing and get all the tests passed, and after a few shipments, the same goods would be printed in pigment technique that would save a lot of money. But unfortunately, this practice was caught in stores in the USA and also by local representatives of customers in Pakistan. Eventually, this practice proved to be the first big reason for the decline of the firm, since the customer repealed the orders and inhibited payments.

In general, the interviewees suggested that most of the people on main positions were hired on merit, but the personal liking factor by chief executive officer (CEO) was always present and most dominating factor as CEO wanted the people who could implement his policies and get work done from employees without asking much questions (so-called 'Yes Men' and 'Yes Boss' type of employees, which evidence dearth of moral values and ethics). Such sort of top executives existed who after receiving unfair changes in policy and decisions implemented it without looking at side effects. Most employees faced a huge workload because many positions were not filled as per the hierarchy needs. Hiring a new person was mainly the decision of the managing director who could hire the best people of other firms at higher salaries, but without properly considering their education and expertise levels. So, merit was somehow compromised as the person who has a good name in some other firm was hired assuming that s/he would produce improved results. Such practices devastated the principles of family business governance, business ethics, corporate social responsibility or corporate citizenship.

4.2 Firm's culture and politics

According to the interviewees of MFTML, they apprised that there was less inter-departmental or department to department or firm level politics compared to the drastic family politics and conflicts that existed in the firm. There were two blocs of a family that tried to capture the firm's operations and wanted the firm to run their way. One bloc was of the then CEO who was the person responsible to take MFTML on the horizon of success and then, he introduced his two sons to take up the reigns of business. There was another bloc that consisted of his brother and sisters (all directors) of CEO, who wanted to control the operations of the firm and run the factory without the CEO and his sons' interference. Both blocs went against each other and started filing suits in court that put a bad impact on the reputation of the firm.

According to the ex-managers of Al-Abid, office politics existed in lower to middle level, but not much internal conflicts or politics existed at the top-level because most of the employees at top level were directly controlled by the director, while employees did not have enough time to involve themselves in the issues of other departments. Internal politics did not exist in much intensity at Nina Industries as many employees were already having huge workloads and were busy in pleasing the top management's unexpected and unanticipated demands.

As a whole, in all these companies, the corporate culture (including values, beliefs, and norms of the firm) was not that much rewarding, motivating, and engaging. Lack of coordination and cooperation among departments, along with hostility, leg-pulling, and finding flaws of others existed. Flattering the boss to gain his/her loyalty appeared a mandatory key to success. All these incidences reflect misgovernance of these family businesses.

4.3 Human Resources (HR) policies (i.e., working environment and employees' motivation)

The ex-managers of MFTML agreed that on the floor, employees were given a working environment where ventilation and lighting was on average whereas cleaning services were rated below average. And finally, the provision of safety equipment to deal with hazardous chemicals was also somewhat average. No professional HR orientation programs were in place and employees with good performance were never recognized, motivated or rewarded. The decisions to make increments were solely in the hands of the director and 'seth'. The HR department never had the authority to recommend any increments for any employee. With such an approach of HR and management, employees started showing their dissatisfaction and were less motivated. Once employees were less motivated and then their performance also diminished, which was a big loss to the firm that MFTML started facing in its last days.

The ex-managers of Al-Abid believed that the overall working environment at Al-Abid appeared satisfactory except the availability of proper mess/cafeteria services that were below average. The rest of factors including ventilation, lighting and provision of safety equipment were acceptable. The HR department was just a labor related office that fought employee and labor related cases in the court. It could not implement training and other motivational programs at any time at Al-Abid. Its policies were failed as employees did not get bonuses, leave encashment, gratuity, provident fund or even insurance coverage. Absence of such benefits had bad impacts on performance of employees and their motivation levels got reduced, whereas their turnover increased, which was also a setback for Al-Abid as trained and skilled labor and supervisors were leaving the firm for better job opportunities in other textile firms.

The ex-managers of Nina Industries stated that the overall working environment of Nina industries was below average. Mess/cafeteria services were not good; washrooms' maintenance was pathetic and basic needs like ventilation and safety equipment were also not good. The HR department was not fully functional; there were no policies of bonus and increments. Only those individuals got salary increments that were in good books of 'seth' and others occasionally received due increments that caused much level of displeasure and discontent among employees whose motivation and performance levels also went down.

It can be comprehended from all the participants of the three companies that the working conditions or environment was below average (even at Al-Abid due to absence of a decent mess) and quite pathetic, while the HR departments merely existed, since all the powers to hire, fire and promote to legitimate pay raises and incentives lied with the 'seths'. Such inappropriate policies with practices of HR departments substantially frustrated employees. The most competition or conflicts are found among the heads of various departments who want to prove their loyalty in front of the owner compared to anyone else and would therefore not feel hesitant to pull the legs of the other departments' heads. Instead of putting efforts to improve his/her own department, s/he would rather be more interested to know the flaws and failures of other departments.

4.4 Management of financial portfolio

Another vital factor revealed was financial health of the firms. The ex-managers of MFTML suggested that the textile sector was performing well before 2005 and MFTML was also doing great in the home textile sector with high profits in exports. But they had started diverting the investments in other portfolios. Then came the era of World Trade Order (WTO) in 2005, when all markets were open and competition intensified. MFTML could not get back to its pace because they did not prepare themselves well to cope up with the challenges of WTO. It then commenced relying on bank loans but could not properly manage the debts and faced challenges to pay back its debts.

As per the ex-managers of Al-Abid, the top management was not interested to make proper budgeting and forecasting of greige purchase and no efforts were ever made to reduce the costs of greige buying. The contribution of greige cost to total cost was approximately 60%; and it was bought at higher rates, the overall cost of product increased that affected the selling price and profit margins. Greige bought using the bank's money created a huge problem because Al-Abid was not able to pay back the bank as per scheduled installments. Greige vendors were also not ready to extend additional time to make payment and stopped its deliveries. When greige inventory was not received on time, the shipments got disturbed and the sales revenue from exports decreased drastically and the lower sales revenue worsened the financial position of Al-Abid.

The ex-managers expressed that the vital reason for Nina Industries downfall was also the complete mismanagement of financial issues. Before the year 2000, Nina industries' main business was hosiery and knits. Afterwards, it resumed marketing for woven products and got good response and orders from the USA. The firm then decided to establish an entirely new set up for home textile woven products and took heavy loans from banks. Initially, the firm paid back the banks as per schedules but as soon as in 2003, the issue of pigment printing was caught, the USA customer put huge forfeits on Nina Industries that it denied and went into court to file lawsuit against the customer (which did not work). However, the customer stopped all shipments and blocked the payment of what was already shipped. At this point, Nina Industries got struck with the issue of running finance and bad reputation. Banks' payments were not being made on time, so they stopped further financing and cancelled all the letters of credits to make further transactions.

The aggregate findings from the participants about management of financial portfolios explored disturbed cash flows, delayed payments to vendors, diverting investment portfolios to other sectors (as by MFTML), and bank defaults, which eventually led to these giant companies utter business failures to insolvency. The available facts indicate that these firms lacked professional accountants, auditors and financial advisors to steer the firm about cost and management accounting systems with software. Moreover, none of these companies pondered about initial public offering (IPO) for effective market capitalization and profit to wealth maximization.

4.5 Other operational strategies (technology, operations and marketing)

Regarding the other functional strategies (including technology, operations and marketing), there seemed various common practices at all these three companies: MFTML, Al-Abid and Nina Industries. The employees and departments were not given standard and acceptable processing and stitching time to convert greige goods into finished products. The implementation of ineffective and outdated management techniques (i.e., lack of change management and innovation), increased wastages, operational inefficiencies, reprocessing, lead time, cost of business and inappropriate controlling mechanism, while it undermined the employees' performance and motivation levels, which ultimately affected firm's financial and non-financial performance.

A marketing strategy is not just about pleasing or dazzling one's customers, but one has to take care of strategic relations with customers, employees (i.e., internal customers and your ambassadors), vendors, dealers, and other stakeholders. Whereas, MFTML, Al-Abid and Nina Industries' relations with ordinary employees appeared very infirm and due to cash-flow mismanagement and bank defaults, mistrust occurred among them and their suppliers, customers and financers or bankers. Excessive reliance on bank loans, their markup, mismanagement of cash-flows and financial portfolio also damaged their marketing strategy. Even regarding their foreign customers and export marketing strategies, their foreign customers suffered due to mis-commitments like delayed shipments and non-compliance of customer specifications with fraud (as in case of Nina Industries). These firms did not care about internal marketing and employer branding, as they did not treat their employees (i.e., internal or their first customers) fairly and undermined their potential, while altogether ignoring the power of loyal teams being capable of making tremendous impact on organizational performance. The family-run entrepreneurial firms usually rely on trustworthiness (i.e., trust of customers, employees, stockholders, financers, and then, all the other stakeholders). Their reputation for quality, services, brands, overall dealing, etc. leads to effective word-of-mouth (WOM) communication in the marketplace, whereas in the international markets, WOM assists them in thriving their business. These three firms could not obtain any fruit of such free but superb marketing techniques.

As an aggregate analysis, the other functional strategies (including technology, operations and marketing) of the three targeted companies exhibited obsolete technologies, dearth of standard operating procedures (SOPs), operational inefficiencies due to lack of orientation programs to proper training and development for employees, frequent shortages of raw materials, lack of just-in-time inventories, improper control systems and disturbed cash-flows. Due to credit defaults to vendors, non-compliance of customers' specifications (i.e., some sort of fraud with them by Nina Industries) and bank defaults to dissatisfied customers and stakeholders spread bad word-of-mouth communication, faltering customer and brand equities, and organizational defame since corporate goodwill and reputation heavily suffered.

4.6 Failure of business (filing bankruptcy)

The in-depth interviews conducted from former executives of Muhammad Farooq Textile Mills Limited (MFTML), Al-Abid Silk Mills Limited (commonly known as AA), and Nina Industries (NI) explored various facts and figures, which helped in understanding the core reasons of utter failures to closures of once giant textile mills in Karachi-Pakistan, which earned their reputation, enjoyed great revenues, sales turnover, exports to Europe and USA, and substantially consolidated their competitive capacity and position in the domestic to international markets. What went wrong with them and how did they doom? The step-by-step process of exploring the detailed insights identified with various examples that key reasons for failures to insolvency comprise: 'seth' management style and policies; firm's culture, politics and conflict; working environment and HR policies for employees' motivation; management of financial portfolio; and other (functional strategies) including technology, operations and marketing.

The Exhibit 1 illustrates the process of grounded theory. The Exhibit 2 displays various selective codes causing organizational failures and bankruptcies (they were segregated in a sequence at the later stage) identified under phenomenology and grounded theory methods from the three cases and in-depth interviews from their nine ex-managers (three from each). The Exhibit 3 then portrays the key categories and themes under them. Finally, the Exhibit 4 presents a conceptual framework that contains the core categories and themes.

4.7 Discussion of Findings

The key findings of this probe unearthed core dimensions that affected the three once giant organizations in the textile sector of Pakistan. It explicates how leadership or 'seth-oriented' management style and policies led to the devastation of those once glorious companies. The findings of this enquiry matched in some way with the findings of several other studies as expounded beneath in the form of similar factors causing similar results in the resembling contexts. The essential factors identified comprise: leadership ('seth' or owners') management style and policies (Arasti, 2011; Zhu, 2012), firm's culture and politics (Shaikh & Qureshi, 2018), HR policies [for working environment and employees' motivation] (Stiles, 2008), management of financial portfolio (Arasti, 2011; Zhu, 2012), other operational strategies –

technology, operations and marketing (Teece, 2010), and failure of business / filing a bankruptcy (Elliott, 2009; Shaikh & Qureshi, 2018).

‘Seth-oriented’ management style and policies refer to the working style and control system where autocratic owners rule, dominate, and dictate the business policies with strategies without listening to employees and usually discouraging any change or innovation in routine work procedures. Poor working conditions with poor reward mechanisms exist along with absenteeism of award to recognition systems. ‘Yes Boss’ and ‘Yes Men’ sort of executives dominate in such firms. Usually, human resources are not recognized as capital and strategic competitive advantages and there seems dearth of moral values and ethics. In many such companies, obsolete technologies to even dearth of standard operating procedures (SOPs) exist. Failure to implement proper control systems increases production wastages, ineffectiveness, inefficiencies and overall product cost.

A firm’s culture and politics affect employees due to various reasons based on the likings and disliking of ‘seth’ and top “Yes Men” executives. Some of the employees from middle management may be liked by ‘seth’ and not liked by top executives, as they consider a new face or employee particularly a talented or high-profile executive as a threat for themselves. Biased behaviors and nepotism emanate out of such an environment, which reflect lack of coordination and cooperation among various departments to poor organizational culture. Inter-departmental clashes occurred particularly among their heads who exploited each other’s flaws and remained busy in leg-pulling of their rivals. Moreover, the conflicts among the family members revealed misgovernance and unprofessionalism of these family businesses.

Working environment for employees reflects HR policies and practices, which has huge salience for superior productivity, efficiency and effectiveness. The textile sector of Pakistan is struggling to meet international standards of social and regulatory compliance aspects. Although, many companies have implemented good working conditions for their employees but yet there is a lot more to be attained by such firms. In general, in ‘seth-dominated firms’, the working environment tends to be outdated. Well-satisfied and engaged employees fall loyal to a firm and put more efforts for the betterment of the firm or vice versa. In ‘seth-oriented companies’, instead of considering human beings as assets, they are entertained as liabilities. Due to an inappropriate reward and recognition system, the team spirit with teamwork sounds undermined. Companies keep on learning and improving over the period of time, but in ‘seth-dominated firms’, this doctrine even fails.

The reins of businesses are transferred from generation to generation in a family-owned business. If owners have lack of information regarding management of financial portfolio related issues then, there are possibilities of greater setbacks and business failures. It was learned that there appeared a dearth of professional and expert accountants, auditors and financial advisors to steer the firm about cost and management accounting systems with software, and especially for leveraging finance to release initial public offering (IPO) for enhanced profitability and wealth maximization.

The other (functional) strategies (technology, operations, and marketing) fall equally vital for survival to sustainably flourishing a business. The three targeted companies possessed obsolete technologies, dearth of standard operating procedures (SOPs), operational inefficiencies due to lack of orientation programs to proper training and development for employees, frequent shortages of raw materials, lack of just-in-time inventories, improper control systems and disturbed cash-flows. The credit defaults to vendors, non-compliance with customers’ specifications, and bank defaults negatively affected their marketing strategy as well. Bad word-of-mouth communication floated in the market, which affected customer equity, brand equity, corporate goodwill and reputation of the three once giant textile firms. The overall strategies adopted by these three firms ruined the principles of family business governance, business ethics, corporate social responsibility or corporate citizenship.

5. CONCLUSIONS

The purpose of this research was to explore essential internal factors that cause the failure and insolvency of once enormously successful businesses that failed and focused on three iconic textile companies of Karachi, Pakistan. The results indicate that external factors and threats are considered to have an impact, but such factors exist almost the same way for all the firms; and only those potential firms survive that have the capabilities to manage external factors while focusing to control the internal factors. The research paper identified five vital internal factors that lead to failure of business (or filing bankruptcy), which include: 'seth's' or owner's management styles and policies; firm's culture, politics and conflicts (reflecting misgovernance of family businesses); working environment and HR policies for employees' motivation; management of financial portfolio; and other strategies (technology, operations and marketing). The research methods applied mixing of few qualitative techniques comprising phenomenology with grounded theory and multiple-case design methods to conduct nine interviews from three targeted companies as cases, while the samples included their former managers who shared their lived experiences.

The leadership styles reflected autocratic behaviors with liking for "Yes Men and Yes Boss" sort of executives and considering labor as machines. Nepotism, lack of professionalism, dearth of recognition and rewards, lack of coordination and cooperation, leg-pulling, conflicts and politics including politics among the family members prevailed. The family members made groups and struggled for power and ignored compliance with the principles of family governance. They discouraged change and innovation, and suffered learning and building core competitive edges. Inappropriate control systems translated into huge wastages and increased cost. There were imperfections in budgeting, forecasting, inventory controlling, cost and management accounting systems with financial software.

Flaws in the functional (technology, operations, and marketing) strategies - These companies possessed obsolete technologies, dearth of standard operating procedures (SOPs) to run production and other processes, and had operational inefficiencies due to lack proper training and development for employees. Frequent shortages of raw materials, lack of just-in-time inventory system, improper forecasting of materials, and disturbed cash-flows further undermined their capacities. Fluctuations in cashflows and mismanagement resulted in credit defaults to vendors, non-compliance with customers' specifications, and bank defaults affected their marketing strategy as well. Bad word-of-mouth communication affected their customer equity, brand equity, and reputation domestically and globally, which hindered the sustainable development of the three once giant export-oriented, family-owned textile firms. Ultimately, all these internal factors led to failure of these business (i.e., filing bankruptcy).

The theoretical contribution of this study pertains to interdisciplinary research in the matrix of management science. It addressed a research gap from an emerging market perspective. It integrates disciplines comprising global business, strategy, leadership, and family business and its governance, while it highlights the implications of strategic and tactical decisions on organizational politics and conflicts, business ethics and corporate social responsibility.

5.1 Implications, caveats and future research directions

As discussed in the introductory section, little is known about family firms' processes, decision-making, strategy crafting and execution (Chrisman, Chua, De Massis, Minola, and Vismara, 2016), whereas ascertaining organizational failures in nexus with family-run textile companies of Pakistan is an under-researched area (Shaikh & Qureshi, 2018). Family firms are less prone to exit than other firms (Madanoglu, Memili, and De Massis 2020), and they possess strategic capabilities and trade secrets to mitigate risks of failure (Qureshi, Qureshi, & Qureshi, 2018). The findings of this study indicate potential remedies for textile and even for non-textile firms currently involved in manufacturing and exports or global business from Pakistan. The way companies are managed across the globe is not the same. The environment of impoverished countries drastically differs from the developed nations' environment. The results indicate that a strategically planned approach must be adopted to control internal factors, which entail policies and decisions that match with firms' capacities and strengths to cope with unforeseen and uncertain environments, fulfill employees' expectations and contribute towards their betterment with motivation to raise firms' overall efficiency and effectiveness. The leadership has to take utmost care of formal family governance including compliance with code of corporate governance, in case of being a limited company. It has to devise strategies wisely and has to avoid politics, conflicts, and issues pertaining ethics and social responsibility. The bottom line is that for survival and sustainable growth, 'seth-oriented' companies usually containing obsolete and deteriorated technology, systems and SOPs must modernize their plants and over-haul their firms with effective functional strategies and invest in human capital to build long-range sustainable competitive edges. This probe contributes to transactional, despotic, and destructive leadership theories, transformational leadership theory, agency theory, and entrepreneurial leadership theory in nexus with family business governance, strategy, and global business.

This inquiry appears limited to internal factors (but not external environmental factors causing threats or succession planning of the founders) of three once stupendous textile firms only, which it ascertains in the context of family-owned businesses that can assist in make or break of an organization pertaining functional strategies (technology, operations, marketing, HR, and finance) to business strategy (descending down from the top i.e., owners or leadership to downward employees) and corporate culture. Analogous studies can be undertaken in other sub-sectors of textile including garment manufacturing, spinning and weaving firms to even other industries, and in other countries of South Asia like India and Bangladesh. The conceptual framework developed from data analysis can be quantitatively and empirically tested for triangulation or meta inference, generalization, and enrichment of the theoretical framework.

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